

**INTERIM REPORT ON CUSTOMS
ACE PROGRAM MANAGEMENT:
Customs Needs to Adequately Staff the
Modernization Office**

OIG-02-058

March 4, 2002



Office of Inspector General

The Department of the Treasury

*The Department of the Treasury
Office of Inspector General*

Robert C. Bonner
Commissioner
U.S. Customs Service

The purpose of this interim report is to recommend improvements in the management of the Automated Commercial Environment (ACE) development. Customs does not yet have the people and systems in place to adequately manage the development of ACE. While ACE program management is still a work in process, this is a critical juncture in setting up the foundation upon which ACE development will be based. This interim report discusses staffing, communications, and scheduling issues. Our complete report will address the management systems issue. The objective of the audit is to determine whether ACE project management has been appropriately planned and is in compliance with relevant laws, Treasury Directives, and sound business practices.

Customs generally concurred with our three recommendations dealing with staffing and scheduling. Your response, dated January 30, 2002, outlined a set of planned corrective actions that, when fully implemented, will satisfy the intent of our recommendations. However, your response did not include target dates for planned corrective actions as required by Treasury Directive 40-01, *Responsibilities of and to the Inspector General*. This information will need to be developed and provided to our office before we can consider the recommendations to have a management decision. Based on Customs response, changes were made to the body of the report where appropriate. Customs complete response is provided as Appendix 2. Also, Customs response did not comment on coordination with the Treasury Chief Information Officer (CIO). Therefore, we are sending a copy of this report to the CIO along with a recommendation to coordinate and monitor ACE staffing levels and plans.

Background

The Customs Modernization Program is a 15-year \$5 billion effort to modernize Customs automated systems. The Program will develop and document repeatable processes, and update the Enterprise Life Cycle Methodology (ELCM). The ability of Customs to process the growing volume of imports while improving compliance with trade laws depends heavily on successfully modernizing the trade compliance process and supporting automated systems. Therefore, the first modernization effort is to replace the Automated Commercial System (ACS) with ACE to modernize Customs commercial programs. The processes, management, and ELCM developed for ACE will be used for the subsequent modernization efforts. An Executive Steering Committee, Chaired by the Commissioner of Customs, provides oversight and guidance to the Customs Modernization Office (CMO) in implementing the Modernization Program. The CMO is the program office responsible for ACE development.

On April 27, 2001 Customs awarded a 5-year, \$1.3 billion contract to e-Customs Partnership (e-CP), a coalition of contractors headed by IBM Global Services. The first three task orders under the contract are: Task 1, Program Management; Task 2, Enterprise Engineering; and Task 3, Requirements and Planning.

Interim Results

A Better Staffing Plan Needed

The CMO needs to be adequately staffed in order to provide contractor oversight, set realistic schedules, evaluate deliverables, and coordinate the impact of future needs on workloads. The CMO is responsible for the oversight of ACE development. The CMO is currently staffed with eight Customs employees (Appendix 1). This core staff is augmented by support from the Office of Information Technology as needed. Also, the CMO staff is supplemented by about 50 personnel from two support contractors at a cost of approximately \$12 million per year. Succession

planning and backup is especially important when such a small organization is responsible for such a large and complex program.

Currently, the CMO communications position is vacant. Two critical positions will become vacant in January and March 2002. We also noted that there is currently only one Customs employee in Business Management and one in Program Control. Business Management is responsible for contract administration and management, financial management, program management, and process improvement. Program Control is the primary focal point for the collection, analysis, and reporting of Modernization Program and project information.

A high priority risk reported by e-CP for the last two months was communications. They stated, "If US Customs does not clearly identify both the strategic decision makers and the operational lead for communications and Organizational Change Management, and there continues to be no enterprise-wide communications and change infrastructure, then the modernization effort is at significant risk due to an ill-prepared workforce and uninformed external stakeholders." ACE development involves the participation of e-CP (which is made up of five major companies); the trade community; the commercial, enforcement, and information technology employees at Customs; the two major CMO support contractors; and other Federal agencies. ACE development requires frequent and productive communications between these disparate groups. Our reviews of initial meetings, reports, and products disclosed communication problems. Problems of perception, terminology, and acronyms could be anticipated in the start up of such a large and complex effort. However, coordinated corrective actions can be taken based on the lessons learned to date.

The prime contractor uses Integrated Product Teams (IPT's) to perform project work. These contractor led IPT's are augmented by Customs subject matter experts. The Government Task Coordinators (GTC's) provides day-to-day interface with the IPT's. They also provide status information to Customs management, review intermediate and final results, manage Customs personnel assigned to the IPT's, recommend compensation, and are delegated

Contracting Officer's Technical Representative authority. We noted that the GTC's for task orders 1 and 2 have other assigned duties. The successful completion of program management (task order 1) and enterprise engineering (task order 2) is critical, as this work forms the foundation for future ACE development efforts. Accordingly, the significance of these task orders is sufficient to consider assigning Customs employees full time to perform GTC responsibilities for each task order.

ACE Schedule Needs Reevaluation

In our opinion, Customs needs to reevaluate the ACE schedule for 2002 to ensure that Customs and the contractors have sufficient time and resources to produce quality results. There have been a number of events, which have put pressure on the work originally planned to be completed in the first 6 months of the prime contract:

- The contract was awarded to e-CP, on April 27, 2001. While the initial work on ACE started on August 13, 2001 negotiations on the first three task orders were not completed until September 28, 2001.
- The September 11, 2001 terrorist attacks increased the planning needed for ACE requirements.
- The International Trade Data System (ITDS) is to be incorporated as a task order for ACE.
- A task order for an Office of Information Technology (OIT) wide process improvement program was added.
- The Commissioner has requested the 5-year ACE development schedule be reduced to 4 years.

Based on the events and actions that have occurred it would be prudent for Customs to take steps now to mitigate future scheduling risk. Five of the deliverables were received on time from the e-CP, however, they received over 50 comments each

regarding quality. These deliverables pertained to the ACE program and management plans.

Recommendations

The Commissioner of Customs should ensure that:

- 1 The CMO staffing plan and the number of Customs positions assigned is adequate for the long-term success of the program.

Management Comment. Customs has taken steps to implement an approved organizational table that ensures appropriate personnel are in place to manage the ACE project.

OIG Comment. The actions planned by Customs, if comprehensive and timely implemented satisfy the intent of our recommendation.

- 2 Succession and backup plans are implemented so that key Customs positions are filled on a continuous basis. Given the significance of ACE, Customs should coordinate with the Departmental Chief Information Officer when necessary to ensure that these positions are filled with well qualified individuals. For, example, staff from other Treasury bureaus or offices could be detailed to the CMO.

Management Response. Customs has taken the necessary steps to ensure that there will be adequate staffing for ACE management, including extensive contractor support.

OIG Response. The actions planned by Customs, if comprehensive and timely implemented satisfy the intent of our recommendation.

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- 3 The ACE development schedule of deliverables and the assumptions on which it is based is reevaluated and adjusted as appropriate.

Management Response. Customs has taken the necessary steps to ensure that multiple contract deliverables are not due at the same time.

OIG Response. The actions taken by Customs satisfy the intent of our recommendation. Customs indicated that there is no scheduling risk posed by the current deliverable schedule. However, it is important that the timing and quality of future deliverables be closely monitored to ensure the causes for scheduling issues are promptly reported and the effects are fully addressed.

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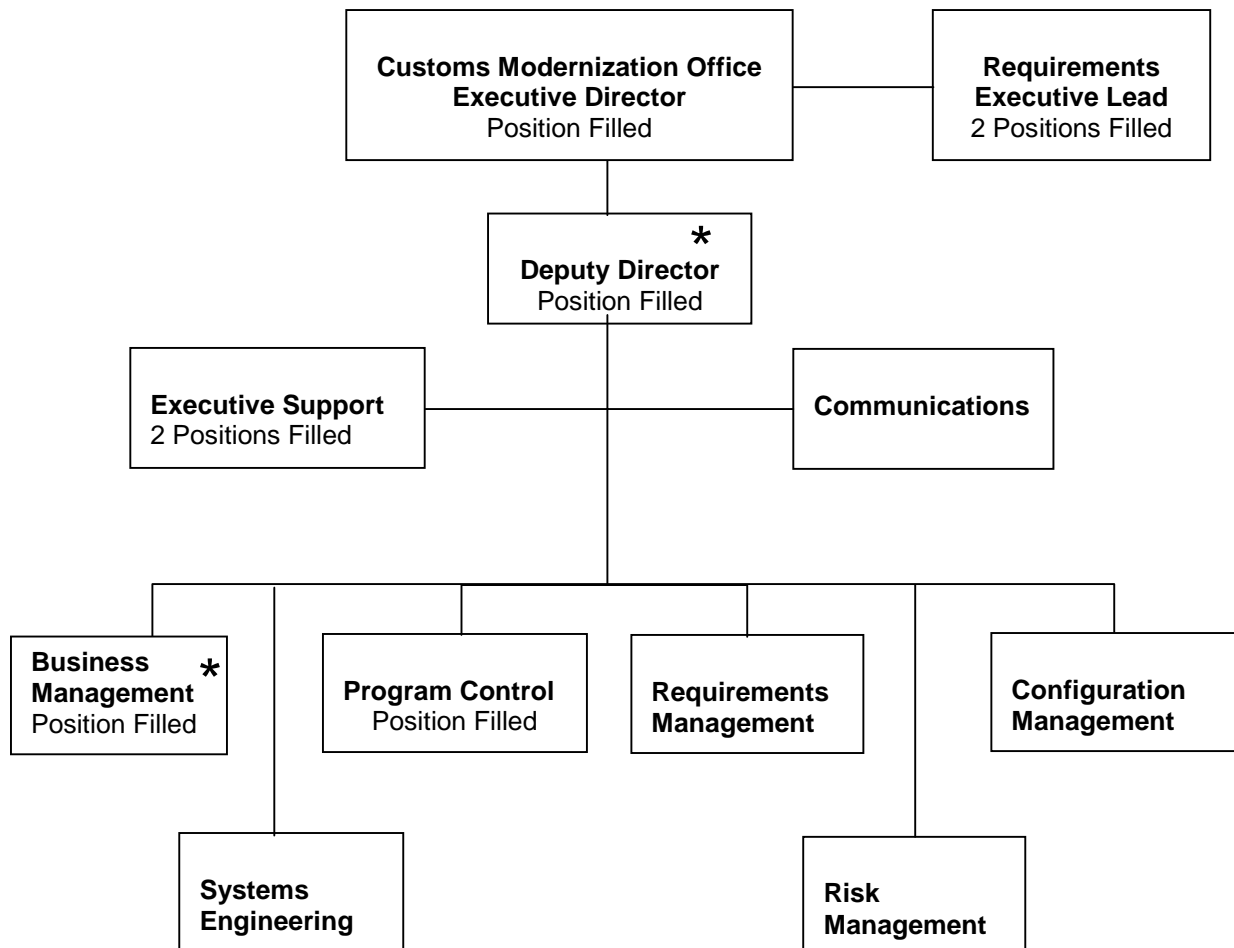
In conducting our audit we attended various ACE meetings and briefings from August 2001 through December 2001. We also, interviewed Customs and contractor employees at various levels regarding ACE development. Further we coordinated our work with audit staff from the General Accounting Office. We conducted our audit in accordance with generally accepted government auditing standards.

We appreciate the courtesies and cooperation provided to our staff during the audit. If you wish to discuss this report, you may contact me at (202) 927-5771 or Gene Wendt, Audit Manager at (713) 706-4611 ext. 242.

/S/

Clifford H. Jennings
Director, Information Technology Audits
Office of Inspector General

Customs Modernization Program
CMO Organizational Structure
As of December 12, 2001



* = These two positions will become vacant in January and March 2002



U.S. Customs Service

Memorandum

January 30, 2002

TO: Clifford Jennings
Office of the Inspector General

FROM: Director,
Office of Planning

SUBJECT: Comments on Audit on Customs Automated Commercial
Environment Program Management

Thank you for providing us with your interim draft report on the Automated Commercial Environment (ACE) entitled "Report on Customs ACE Program Management: Customs Needs to Adequately Staff the Modernization Office." We appreciate the opportunity to discuss the issues in this report.

Although Customs accepts that the recommendations made in the draft report are part of good project management, there are three assertions made in the report that should be modified or deleted.

- "Customs does not yet have the people, systems, and reports in place to adequately manage the development of ACE." (p. 2)

Customs has extensive management mechanisms in place to oversee and more than adequately manage the development of ACE, and will continue to strengthen these mechanisms with the completion of Task Orders One, Two and Three. While we are always looking for ways to improve our process, this report provides no detail concerning specific problems experienced with the people, systems or reports that would support this opening statement. The report does not ever address issues relating to systems or reports.

- "Without an operational lead for communications, the modernization is at risk due to an ill-prepared workforce and uninformed external stakeholders." (p. 3)

The CMO has an extensive communications strategy in place, led by a senior Customs employee, which meets the needs of internal and external stakeholders. With the retirement of the senior Customs employee who managed this process throughout the period of OIG fieldwork, another senior manager was appointed to carry out the

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communications responsibilities on a temporary basis. These responsibilities will be assigned permanently in the very near future. As this report provides no detail of communications problems that would warrant characterizing the modernization effort as "at risk," we would suggest that this statement be removed.

- "The September 11, 2001 terrorist attacks decreased resources available and potentially increased the ACE requirements." (p. 5)

Customs actually received more funding than initially requested for ACE in the appropriations bill enacted after September 11, 2001. Although some subject matter experts involved in the ACE development effort were called on to carry out additional anti-terrorism activities, Customs has a significant number of additional employees available to support ACE as subject matter experts and project managers and has been able to rely on these experts since September 11th. There has not been a decrease in resources.

As stated earlier, the recommendations made in the report are important to good program management. To that end, Customs has taken several steps to ensure that the appropriate personnel are in place to manage various aspects of the ACE project, including implementing an approved organizational table with identified staffing needs. Those needs are being filled, as the timing is right to fill them. Customs employees are supplemented by extensive contractor support, that ensures that personnel with the proper training, experience and technical skills are engaged in the development process. ACE has had consistency of leadership in the most senior key positions, including the Assistant Commissioner and the Director of the Modernization Office. Customs has taken the necessary steps to ensure that there is and will be adequate staffing for ACE management.

Similarly, Customs has taken the necessary steps to ensure that multiple contract deliverables are not due at the same time. There is no risk raised by contract deliverable scheduling.

We have determined that the information in the audit does not warrant protection under the Freedom of Information Act. If you have any questions regarding the attached comments, please have a member of your staff contact Ms. Brenda Brockman Smith at (202) 927-1507.


William F. Riley

Appendix 3
Major Contributors To This Report

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